

State Corporation Commission

2014 Fiscal Impact Statement

1. Bill Number: HB631

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Kilgore

3. Committee: House Floor

4. Title: Insurance contracts; principle-based reserve basis; use of valuation manual.

5. Summary: Insurance contracts; principle-based reserve basis; use of valuation manual. Requires insurance companies to use (i) a principle-based reserve basis for life, annuity, and accident and health insurance contracts and (ii) a Valuation Manual adopted by the National Association of Insurance Commissioners (NAIC). The measure implements the NAIC's revised Standard Valuation Law model (SVL). The revised model authorizes a principle-based reserve (PBR) basis for life, annuity, and accident and health contracts. A PBR valuation is a reserve valuation that uses one or more methods or one or more assumptions determined by the insurer pursuant to requirements contained in the SVL and the Valuation Manual. The NAIC's Valuation Manual contains both PBR and non-PBR requirements and requirements regarding actuarial opinions and corporate governance. The Valuation Manual will become effective on January 1 of the first calendar year for which certain requirements have been met by July 1 of that year, including a condition that at least 42 states or other U.S. jurisdictions have enacted the revised SVL or substantially similar terms and provisions. The measure has a delayed effective date of January 1, 2015.

6. Budget amendment necessary: No

7. Fiscal Impact Estimates: No Fiscal Impact on the State Corporation Commission

8. Fiscal implications: None on the State Corporation Commission

9. Specific agency or political subdivisions affected: State Corporation Commission Bureau of Insurance

10. Technical amendment necessary: No; see Item 11

11. Other comments: Delegate Kilgore introduced HB 631 at the request of the State Corporation Commission. On January 16, 2014, HB 631 was reported out of House Commerce and Labor with several technical amendments requested by the Bureau of Insurance.

Date: 01/21/14/V. Tompkins